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Message Text

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INFO OCT-01 EUR-12 ISO-00 EB-07 L-03 H-02 SEC-01 SS-15

NSC-05 AID-05 CEA-01 CIAE-00 COME-00 EA-10 FRB-01

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E.O. 11652:
TAGS:
SUBJECT:OECD FINANCIAL SUPPORT FUND -- U.S. LEGISLATION

1. ON JUNE 6, THE PRESIDENT TRANSMITTED TO CONGRESS PROPOSED LEGISLATION AUTHORIZING UNITED STATES MEMBERSHIP IN THE OECD SDR 20 BILLION FINANCIAL SUPPORT FUND AND PROVIDING FOR U.S. FINANCIAL PARTICIPATION IN THE SUPPORT FUND TO THE EXTENT OF THE U.S. QUOTA (5,560 MILLION SDRS).

2. THE BILL HAS BEEN ASSIGNED IN THE HOUSE OF REPRESENTATIVES TO THE COMMITTEE ON BANKING, CURRENCY AND HOUSING,
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AND IN THE SENATE TO THE FOREIGN RELATIONS COMMITTEE. IT IS ANTICIPATED THAT HEARINGS ON THE LEGISLATION WILL BE SCHEDULED THIS SUMMER, BUT NOT TO BEGIN FOR AT LEAST

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SEVERAL WEEKS. WE ARE HOPEFUL THAT CONGRESSIONAL ACTION CAN BE COMPLETED DURING THE CURRENT SESSION (WHICH MUST ADJOURN BEFORE THE END OF THE CALENDAR YEAR). IN HIS TRANSMITTAL MESSAGE, THE PRESIDENT STATED QUOTE WHILE THE PROBLEMS THE SUPPORT FUND IS DESIGNED TO DEAL WITH ARE TEMPORARY, THE NEED FOR THE FUND IS NONETHELESS REAL AND IMMEDIATE. I URGE THE CONGRESS TO ACT PROMPTLY TO ENABLE THE UNITED STATES TO JOIN IN THIS MAJOR INSTRUMENT OF INTERNATIONAL FINANCIAL COOPERATION. UNQUOTE.

3. THE MAJOR PROVISIONS OF THE PROPOSED FINANCIAL SUPPORT FUND ACT ARE AS FOLLOWS: (A.) THE PRESIDENT IS AUTHORIZED BY THE BILL TO ACCEPT MEMBERSHIP FOR THE UNITED STATES IN THE FINANCIAL SUPPORT FUND WITH THE SECRETARY OF THE TREASURY DESIGNATED AS THE U.S. REPRESENTATIVE ON THE GOVERNING COMMITTEE OF THE SUPPORT FUND. (B.) IT IS ANTICIPATED THAT UNITED STATES FINANCIAL OBLIGATIONS TO THE SUPPORT FUND WILL BE MET PRIMARILY, IF NOT EXCLUSIVELY, IN THE FORM OF GUARANTEES TO PERMIT THE FUND TO BORROW IN WORLD CAPITAL MARKETS. THE BILL AUTHORIZES THE SECRETARY OF THE TREASURY TO ISSUE AN INDIVIDUAL U.S. GUARANTEE FOR SUPPORT FUND BORROWING OR TO PARTICIPATE IN A COLLECTIVE GUARANTEE BY ALL MEMBERS OF THE SUPPORT FUND, AND AUTHORIZES APPROPRIATIONS TO MEET THOSE GUARANTEE OBLIGATIONS. APPROPRIATIONS WILL BE SOUGHT AS ACTUALLY NEEDED, WITH THE EXCHANGE STABILIZATION FUND USED TEMPORARILY TO MEET ANY NEED FOR IMMEDIATE TRANSFERS. IF THE UNITED STATES CHOOSES TO MAKE A CONTRIBUTION TO THE SUPPORT FUND BY A DIRECT LOAN, THE RESOURCES OF THE EXCHANGE STABILIZATION FUND WILL BE USED FOR THAT PURPOSE, PURSUANT TO EXISTING STATUTORY AUTHORITY. APPROPRIATIONS WOULD THEN BE SOUGHT TO REPLENISH ESF RESOURCES. TOTAL APPROPRIATIONS FOR THESE PURPOSES CAN IN NO EVENT EXCEED THE DOLLAR EQUIVALENT OF THE U.S. QUOTA IN THE FUND. (C.) THE BILL GIVES EFFECT TO THE PROVISIONS IN THE SUPPORT FUND AGREEMENT THAT CONFER LEGAL STATUS, AS WELL AS CERTAIN PRIVILEGES AND IMMUNITIES ON THE SUPPORT FUND; AND, THE BILL EXEMPTS SECURITIES ISSUED BY THE FUND FROM REGULA-
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TION BY THE SECURITIES EXCHANGE COMMISSION TO THE SAME EXTENT AS SECURITIES ISSUED BY THE INTERNATIONAL DEVELOPMENT BANKS ARE EXCLUDED FROM REGULATION. (D.) THE BILL MAKES SECURITIES ISSUED BY THE SUPPORT FUND LEGAL INVESTMENTS BY STATE-REGULATED AND FEDERALLY-REGULATED INSTITUTIONS TO THE SAME EXTENT AS OBLIGATIONS ISSUED BY THE WORLD BANK ARE LEGALLY ELIGIBLE FOR INVESTMENT.

4. POSTS MAY USE THIS INFORMATION IN RESPONSE TO HOST GOVERNMENT REQUESTS AND SHOULD CONTINUE TO REPORT ON

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STATUS OF LEGISLATIVE CONSIDERATION OF SUPPORT FUND MEMBERSHIP IN THEIR COUNTRIES. PROGRESS REPORTS ON CONGRESSIONAL CONSIDERATION OF U.S. PARTICIPATION WILL BE PROVIDED AS APPROPRIATE. WE WILL POUCH TO POSTS FULL TEXT OF PRESIDENTIAL TRANSMITTAL, LEGISLATION, SECTION BY SECTION ANALYSIS, AND A SPECIAL REPORT BY THE NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES ON THE SUPPORT FUND. KISSINGER

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